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SIPDIS

SENSITIVE

STATE FOR E, P, EB/IFD AND EUR/SE  
TREASURY FOR OASIA - MILLS AND LEICHTER  
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E.O. 12958: N/A

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SUBJECT: TURKISH MARKETS COB MARCH 19: LIMITED FURTHER  
DECLINE; EMBASSY AND GOT STATEMENTS

1. (U) After falling significantly in the morning, Turkish markets declined only slightly in the afternoon session, as investors struggled to figure out whether some kind of U.S. assistance package might still be possible. At market closing, the lira had weakened to TL 1,695,776/dollar, while the yield on the benchmark t-bill had risen to 66.05 percent. The stock market fell 6.1 percent for the day.

2. (SBU) At the GOT's request, Embassy released a press release in mid-afternoon (using text of Washington-approved press guidance), which stated:

"Turkey has made impressive progress over the past two years in stabilizing and reforming its economy, as evidenced by the strong economic recovery. The policy framework makes Turkey's economy more resilient and more likely to achieve sustained growth. We have confidence in the Turkish government's commitment to strong economic policies, and have every expectation they will continue them, working with the IMF, which we welcome. This program, if fully implemented, will lead to further strengthening of the Turkish economy. The U.S. government has supported Turkey's IMF and World Bank programs and will continue to do so as long as Turkey continues to implement strong economic policies."

3. (U) The Embassy distributed the press release just as Prime Minister Erdogan was announcing that he expected such a statement by the end of the day. A few minutes earlier, State Minister Babacanent had announced that: "There is always agreement that the United States will give strong support to Turkey. Apart from that, there is nothing and it is not possible to say anything more now."

4. (U) The Embassy press release has been running as the top story in the local press over the past few hours, with some TV channels welcoming it as a statement of support and others expressing disappointment because it indicated U.S. support would be verbal only.

5. (SBU) Bender Securities' Murat Gulken told us tonight that markets had not reacted significantly to these public indications that there would be no U.S. package because "the fog (i.e., confusion) was so thick, it will take more than an hour to clear." He predicted further market declines Thursday as the absence of a package sinks in.  
PEARSON